

**DIRECT TESTIMONY OF
ALICE A. FOX
ON BEHALF OF
SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOCKET NO. 2009-5-G**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Alice A. Fox and my current business address is 1426 Main
3 Street, Columbia, South Carolina. Effective October 2009, my address will be 100
4 SCANA Parkway, Cayce, South Carolina.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by SCANA Services, Inc. as the Manager of Regulatory
7 Accounting and Gas Rates.

8 **Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS
9 EXPERIENCE.**

10 A. I am a 1981 graduate of Clemson University with a Bachelor of Science
11 Degree in accounting. In October of 1981 I began working for South Carolina
12 Electric & Gas Company (“SCE&G” or the “Company”) as an Internal Auditor.
13 Since that time, I have held various supervisory and management positions within
14 the accounting areas of Corporate Planning and Budgeting, VC Summer Station
15 accounting, and SCANA Services Reporting and Cost Measurement. In April of
16 2006, I assumed my current position within the rates and regulatory area.

17 **Q. HAVE YOU EVER TESTIFIED BEFORE THE PUBLIC SERVICE
18 COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?**

19 A. No. This is the first time for me to testify before the Commission.

1 **Q. WILL YOU BRIEFLY SUMMARIZE THE DUTIES YOU PERFORM FOR**
2 **SCE&G?**

3 A. In my current role I am responsible for the regulatory accounting function
4 of SCE&G which includes oversight of the quarterly return on equity reporting for
5 both electric and gas service in South Carolina. I serve as the Company liaison for
6 questions and support for audits performed by the South Carolina Office of
7 Regulatory Staff (“ORS”) for all general rate, purchased gas adjustments (“PGA”),
8 and Natural Gas Rate Stabilization Act (“RSA”) proceedings. I also manage the
9 gas rates area of SCE&G which is responsible for the gas cost recovery
10 mechanism as well as the development of gas cost of service studies, rate analyses,
11 and rate design.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
13 **PROCEEDING?**

14 A. The purpose of my testimony is to 1) support the Company’s gas cost
15 recovery mechanism and explain its operation and performance; 2) support the
16 cost of gas (“COG”) data, including the over / under collection amount for the
17 period under review in this proceeding, which is March 2008 through July 2009
18 (“Review Period”); 3) inform the Commission of the likely impact to SCE&G’s
19 customers of a rate case filed earlier this year by Southern Natural Gas Company
20 (“Southern”) with the Federal Energy Regulatory Commission (“FERC”); and 4)
21 discuss the proposed change to the material difference threshold currently set at
22 \$.01 (plus or minus) per therm.

1 **Q. PLEASE DESCRIBE THE COMPANY’S PGA GAS COST RECOVERY**
2 **MECHANISM AS CURRENTLY ADMINISTERED BY SCE&G.**

3 A. SCE&G sets the gas cost factor for each customer class each month using a
4 rolling 12-month forecast of both demand and commodity costs. SCE&G updates
5 its COG forecast each month using the most current New York Mercantile
6 Exchange (“NYMEX”) prices as well as the hedging effect for each of the next 12
7 months. SCE&G uses the NYMEX closing prices for a date selected by the
8 Company that allows the revised rates to be filed in time to notify the Commission
9 and ORS before the first billing cycle of the next month. The forecast is reviewed
10 monthly and updated as needed to reflect current assessments of anticipated
11 industrial margins, capacity release credits, hedging impacts, and firm sales levels.
12 The recalibrated 12-month recovery factor, adjusted to zero-out any prior month’s
13 over or under recovery over the 12-month period, sets the gas cost recovery factors
14 for the upcoming month. After filing the new factors with the Commission, they
15 are implemented for the first billing cycle of the following month.

16 **Q. PLEASE DESCRIBE THE PROCESS FOR UPDATING THE DEMAND**
17 **COST OF GAS ALLOCATION (“DCOG”) FACTORS AND REPORT THE**
18 **NEW DCOG FACTORS.**

19 A. The Company reviews the DCOG allocation factors each year during the
20 PGA proceeding and updates the factors to reflect current forecast assumptions.
21 These DCOG allocation factors are based on a weighting of 50% forecast sales
22 and 50% forecast peak design day demand as per Order No. 2006-679. The
23 forecast peak design day demand for the upcoming 2009-2010 winter is 371,343

1 dekatherms after adjusting for system losses. This forecast is used for capacity
2 planning purposes as illustrated in the testimony and exhibits of Company Witness
3 Jackson. Based on the latest annual sales and demand forecasts, the new demand
4 allocation factors will be 66.11% for Residential, 31.78% for Small General
5 Service/Medium General Service (“SGS/MGS”) and 2.11% for Large General
6 Service (“LGS”) usage groups. Subject to Commission review and approval,
7 SCE&G proposes to make these new DCOG allocation factors effective for the
8 first billing cycle of January 2010.

9 **Q. WHAT ARE THE COMPANY’S CURRENT FACTORS FOR COST OF**
10 **GAS?**

11 A. As of this filing, cost of gas factors for September 2009 are \$.79652 per
12 therm for Residential, \$.69287 per therm for SGS/MGS and \$.82292 per therm for
13 LGS. These gas cost factors include a Firm Commodity Benchmark for all firm
14 customer groups of \$.52093 per therm. Under the provisions of Order No. 2006-
15 679, SCE&G calculates monthly and files adjustments to the PGA factors with the
16 Commission as required. During the Review Period, SCE&G has adjusted the
17 COG factors as authorized.

18 **Q. DURING THE PERIOD UNDER REVIEW, HAS SCE&G ADMINISTERED**
19 **THE PGA MECHANISM IN ACCORDANCE WITH THE TERMS OF**
20 **ORDER NO. 2006-679?**

21 A. Yes. During the Review Period, SCE&G implemented the PGA mechanism
22 as approved in Order No. 2006-679. The results are set forth on Exhibit No.____

(AAF-1). This exhibit accurately reflects administration of the PGA recovery mechanism under the terms and conditions established by the Commission.

Q. PLEASE EXPLAIN EXHIBIT NO. ____ (AAF-1).

A. Exhibit No. ____ (AAF-1) shows monthly over and under collections experienced by SCE&G in administering the PGA mechanism during the period under review. This exhibit shows that SCE&G entered the period under review with an over-collection of \$6,716,666. As of the end of July 2009, there is an over-collection of \$5,892,936.

Q. PLEASE EXPLAIN EXHIBIT NO. ____ (AAF-2).

A. Exhibit No. ____ (AAF-2) shows a summary of the monthly forecast of gas cost components and the resulting monthly over and under collection balances. The end of period balance of zero shows that the forecasted gas cost factors are expected to eliminate the projected over/under collection amount by the end of the forecast period ending August 2010.

Q. PLEASE QUANTIFY THE IMPACT TO SCE&G CUSTOMERS OF CONVERTING THE PGA ADMINISTRATION PROCESS FROM A CYCLE MONTH SALES CALCULATION BASIS TO A CALENDAR MONTH SALES CALCULATION.

A. As stated in the testimony of Company Witness Coffey, this change would produce a credit to the cost of gas factors beginning with January 2010 rates. Based on current forecast data, the impact to Residential and SGS/MGS usage groups would be a reduction in rates of (\$.084) and (\$.023) per therm, respectively.

1 **Q. PLEASE INFORM THE COMMISSION OF THE IMPACT OF THE**
2 **SOUTHERN RATE CASE ON SCE&G CUSTOMERS.**

3 A. On March 2, 2009, Southern filed a request with the FERC to increase their
4 rates by approximately 36%. These rates became effective September 1, 2009
5 subject to refund pending the outcome of the case. Accordingly, SCE&G's gas
6 cost factors for the first billing cycle of September included the Southern rate
7 increase. The impact of the Southern increase to SCE&G customers in September
8 2009 gas cost was approximately \$.03 per therm.

9 **Q. PLEASE DISCUSS THE COMPANY'S PROPOSAL TO CHANGE THE**
10 **AMOUNT DEFINED AS "A MATERIAL DIFFERENCE" THAT REQUIRES**
11 **THE IMPLEMENTATION OF NEW MONTHLY GAS COST FACTORS.**

12 A. In Order No. 2005-653, Docket 2005-5-G, the Commission approved a
13 material difference of \$.01 per therm as the criteria necessary to change the
14 monthly gas cost factors. There are currently six gas factor components since each
15 usage group has both a commodity and demand component. If any of the six cost
16 of gas factor components changes by \$.01 or more per therm, then all of these gas
17 cost factors must be changed. This material difference of \$.01 per therm in any of
18 the six components led to the changing of gas rates in 25 of the 33 months, or over
19 76% of the time, from November 2006 through July 2009. Frequently these
20 changes have resulted in only minor differences in the bills rendered to our gas
21 customers. We believe that continually changing rates with very little effect on
22 bills can increase customer confusion and concern. Additionally, implementing
23 numerous minimal changes in monthly gas costs has caused increased

1 administrative costs to the Company primarily in the areas of billing and
2 information services. Thus, SCE&G proposes 1) to make mandatory rate changes
3 based on a material difference of greater than \$.04 per therm, 2) that, if the
4 increase calculated is less than or equal to \$.04 per therm, the Company have the
5 discretion to change rates if it believes there would be a reasonable impact to
6 customer bills, and 3) that the \$.04 per therm criteria as described in 1) and 2) be
7 applied by usage group and not by component within usage group. Had the \$.04
8 per therm criteria as described above been in place in the aforementioned 33
9 month period, SCE&G would have been required to change the gas cost
10 component of rates in only 14 of those months, or approximately 42% of the time.

11 **Q. WHAT IS SCE&G REQUESTING IN THIS PROCEEDING?**

12 A. SCE&G respectfully requests the Commission 1) find that, during the
13 Review Period, the Company properly administered the PGA mechanism and
14 correctly adjusted the gas cost recovery factors for each customer class in accordance
15 with the terms of Order No. 2006-679; 2) find that the Company recovered its gas
16 costs for the Review Period consistent with its tariffs and Commission orders and
17 that it purchased its gas supplies and administered the PGA in a prudent and
18 reasonable manner; and 3) approve the request to change the material difference
19 criteria necessary to implement new rates.

20 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

21 A. Yes.

SOUTH CAROLINA ELECTRIC & GAS COMPANY
PURCHASE GAS ADJUSTMENT
(OVER)/UNDER COLLECTION

		<u>COMM. COST PER THERM</u> (COL. 1)	<u>BILLING COMM. COST PER THERM</u> (COL. 2)	<u>DIFFERENCE</u> (COL. 3) (1-2)	<u>FIRM SALES THERMS</u> (COL. 4)	<u>COMMODITY (OVER)/UNDER COLLECTION</u> (COL. 5) (3x4)	<u>DEMAND (OVER)/UNDER COLLECTION</u> (COL. 6)	<u>COMMODITY AND DEMAND PRIOR MTH ADJ.'S</u> (COL. 7)	<u>TOTAL MONTHLY (OVER)/UNDER COLLECTION</u> (COL. 8) (5+6+7)	<u>CUMULATIVE (OVER)/UNDER COLLECTION</u> (COL. 9)
BEGINNING BALANCE ---										(\$6,716,666)
MAR 08	Actual	\$0.74676	\$0.95673	(\$0.209968)	24,940,346	(\$5,133,948)	(\$1,885,742)	\$0	(\$7,019,690)	(\$13,736,357)
APR 08	Actual	\$0.68070	\$0.95673	(\$0.276028)	17,316,339	(\$4,759,612)	(\$1,037,236)	(\$100)	(\$5,796,948)	(\$19,533,305)
MAY 08	Actual	\$0.83960	\$1.00951	(\$0.169907)	10,661,172	(\$1,785,402)	(\$384,419)	\$0	(\$2,169,821)	(\$21,703,126)
JUN 08	Actual	\$0.91634	\$1.06652	(\$0.150176)	8,209,505	(\$1,194,806)	(\$333,779)	\$0	(\$1,528,585)	(\$23,231,711)
JUL 08	Actual	\$1.08807	\$1.15357	(\$0.065500)	7,758,431	(\$478,580)	(\$350,632)	\$0	(\$829,212)	(\$24,060,923)
AUG 08	Actual	\$0.93008	\$1.06786	(\$0.137777)	6,782,187	(\$947,373)	\$873,659	\$0	(\$73,713)	(\$24,134,637)
SEP 08	Actual	\$0.68796	\$0.82187	(\$0.133908)	7,064,480	(\$979,625)	\$2,073,137	\$0	\$1,093,512	(\$23,041,124)
OCT 08	Actual	\$1.29403	\$0.77829	\$0.515741	8,297,221	\$4,244,298	\$2,424,945	(\$57,174)	\$6,612,069	(\$16,429,055)
NOV 08	Actual	\$1.12396	\$0.71105	\$0.412908	17,803,313	\$7,340,073	\$1,643,865	\$0	\$8,983,938	(\$7,445,116)
DEC 08	Actual	\$0.63228	\$0.71105	(\$0.07877)	32,371,594	(\$2,558,784)	(\$416,022)	(\$77,270)	(\$3,052,076)	(\$10,497,192)
JAN 09	Actual	\$0.90930	\$0.69355	\$0.215750	31,905,837	\$6,894,174	\$124,034	\$0	\$7,018,207	(\$3,478,984)
FEB 09	Actual	\$0.48441	\$0.59827	(\$0.113860)	38,517,535	(\$4,385,340)	\$160,519	\$0	(\$4,224,820.66)	(\$7,703,805)
MAR 09	Actual	\$0.49070	\$0.59827	(\$0.107575)	30,334,698	(\$3,259,608)	\$390,106	\$0	(\$2,869,501)	(\$10,573,306)
APR 09	Actual	\$0.46664	\$0.53450	(\$0.067859)	15,932,622	(\$1,032,981)	\$1,122,207	\$0	\$89,226	(\$10,484,081)
MAY 09	Actual	\$0.40242	\$0.53450	(\$0.132077)	9,260,913	(\$1,208,947)	\$3,383,305	\$0	\$2,174,358	(\$8,309,722)
JUN 09	Actual	\$0.32969	\$0.58152	(\$0.25183)	8,153,694	(\$2,036,360)	\$2,305,259	\$0	\$268,900	(\$8,040,823)
JUL 09	Actual	\$0.44378	\$0.58152	(\$0.137743)	7,409,758	(\$1,029,859)	\$3,177,746	\$0	\$2,147,887	(\$5,892,936)

SOUTH CAROLINA ELECTRIC & GAS COMPANY
PROJECTED COMMODITY AND DEMAND COSTS
(OVER)/UNDER COLLECTION

	<u>COMM COST</u> <u>PER THERM</u> (COL. 1)	<u>BILLING</u> <u>COMM COST</u> <u>PER THERM</u> (COL. 2)	<u>DIFFERENCE</u> (COL. 3)	<u>FIRM SALES</u> <u>THERMS</u> (COL. 4)	<u>COMMODITY</u> <u>(OVER)UNDER</u> <u>COLLECTION</u> (COL. 5)	<u>DEMAND</u> <u>(OVER)UNDER</u> <u>COLLECTION</u> (COL. 6)	<u>TOTAL</u> <u>(OVER)UNDER</u> <u>COLLECTION</u> (COL. 7)	<u>CUMULATIVE</u> <u>TOTAL</u> <u>(OVER)UNDER</u> <u>COLLECTION</u> (COL. 8)
BEGINNING BAL. @ August 09								(\$3,004,433)
Sep-09	\$0.54687	\$0.52093	\$0.02593	7,122,000	\$184,700	\$2,021,640	\$2,206,340	(\$798,093)
Oct-09	\$0.73233	\$0.52093	\$0.21140	8,109,000	\$1,714,225	\$1,778,886	\$3,493,112	\$2,695,019
Nov-09	\$0.74575	\$0.52093	\$0.22481	14,071,000	\$3,163,312	\$85,281	\$3,248,593	\$5,943,612
Dec-09	\$0.72465	\$0.52093	\$0.20371	27,734,000	\$5,649,830	(\$2,998,834)	\$2,650,996	\$8,594,608
Jan-10	\$0.57770	\$0.52093	\$0.05677	40,479,000	\$2,297,991	(\$6,450,033)	(\$4,152,042)	\$4,442,566
Feb-10	\$0.45097	\$0.52093	(\$0.06997)	38,072,000	(\$2,663,820)	(\$5,769,270)	(\$8,433,090)	(\$3,990,524)
Mar-10	\$0.43511	\$0.52093	(\$0.08582)	28,490,000	(\$2,445,012)	(\$3,310,930)	(\$5,755,942)	(\$9,746,468)
Apr-10	\$0.43351	\$0.52093	(\$0.08742)	15,993,000	(\$1,398,188)	\$293,969	(\$1,104,218)	(\$10,850,686)
May-10	\$0.48470	\$0.52093	(\$0.03624)	9,997,000	(\$362,265)	\$1,594,246	\$1,231,981	(\$9,618,705)
Jun-10	\$0.52101	\$0.52093	\$0.00007	7,757,000	\$554	\$1,982,478	\$1,983,032	(\$7,635,673)
Jul-10	\$0.57216	\$0.52093	\$0.05123	7,119,000	\$364,685	\$1,860,743	\$2,225,428	(\$5,410,245)
Aug-10	\$1.03826	\$0.52093	\$0.51732	7,103,000	\$3,674,550	\$1,735,696	\$5,410,246	(\$0)